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C O N F I D E N T I A L SECTION 01 OF 02 KIEV 000781

SIPDIS

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TAGS: [PREL](#) [PGOV](#) [ENRG](#) [RS](#) [UP](#)

SUBJECT: UKRAINE: EX-PM TYMOSHENKO ON DOMESTIC POLITICS,  
THE GAS DEAL

REF: KIEV 182

Classified By: Ambassador, reason 1.4 (b,d)

1. (C) Summary: Ambassador met ex-PM Yuliya Tymoshenko February 26 to deliver concerns about her comments on a contract by U.S. company Holtec to build a nuclear waste storage facility in Ukraine (septel). The conversation turned to domestic politics and the natural gas supply/transit deal with Russia. Tymoshenko described the still unrealized efforts to forge a coalition agreement with Our Ukraine, complimented the organization of Socialist Party leader Oleksander Moroz while disparaging that of Our Ukraine, and laid out a case why Party of Regions leader Viktor Yanukovych would be the leader with leverage if Our Ukraine were to cut a post-election deal with his party. Tymoshenko thought that Regions Party financier Rinat Akhmetov had been well-spoken in his inaugural televised appearance but thought the move had been a mistake, since the rest of Ukraine outside Donetsk viewed Akhmetov as a criminal, not a successful business executive. On the gas deal, Tymoshenko largely rehashed arguments made in previous meetings with Ambassador over the past two months: 1) she wanted to annul the deal through action in Kiev-Pechersk court but was being stymied by political pressure on the judge; 2) she favored taking the Russians to Stockholm over their abrogation of the August 2004 agreement; and 3) Ukraine should pursue contracts with Central Asian countries and needed international support. Ambassador reiterated the USG views relayed to Government of Ukraine (GOU) officials: our concern over the deal focused on RosUkrEnergo's (RUE) role; the U.S. would support a GOU effort to renegotiate the deal to remove RUE; and the U.S. would lend a hand to Ukrainian efforts to garner European support. End summary.

Domestic politics a month before the election  
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2. (C) Ambassador inquired about the state of coalition agreement discussions between Tymoshenko's bloc (BYuT) and President Yushchenko's Our Ukraine bloc. Tymoshenko, who on February 21 had unilaterally signed BYuT's own proposal for a coalition agreement which included some conditions Our Ukraine would likely not accept, replied that she had signed the documents necessary for a deal to happen but that Our Ukraine had not yet reacted, adding, "if they have problems with our terms, they should say so." BYuT deputy leader (and ex-SBU chief) Oleksandr Turchynov had reached out to Our Ukraine campaign official Roman Zvarych February 25 with a proposal to meet again, but as of February 26 Zvarych had not returned the call.

3. (C) Tymoshenko noted that although central and western Ukraine strongly favored a reunified Yushchenko-Tymoshenko team, eastern Ukraine and Crimea saw the "Maidan" team as a problem. As a result, BYuT's campaign in eastern and southern Ukraine did not emphasize the potential for an Orange reunification, since BYuT was targeting voters who had supported Yanukovych in 2004. Socialist leader Moroz was pursuing the same tactic, she added. Tymoshenko complimented Moroz' campaign organization, in contrast to Our Ukraine's, which she termed dreadful.

4. (C) Tymoshenko judged that Regions financier Rinat Akhmetov had spoken well in his maiden public speech televised February 20, but that Regions had made a mistake by putting Akhmetov on TV. While Akhmetov was popular in Donetsk due to "local boy patriotism," the rest of the country perceived him as a criminal; this was even true in Luhansk and Crimea, two strongly pro-Regions provinces. Thus, most people watching Akhmetov would not have concluded "good speaker" but, in contrast, would have thought "a major criminal is poised to enter the Rada." Tymoshenko opined that any effort by government authorities to go after Yanukovych for his misdeeds would boomerang, boosting Yanukovych's political standing, but that the authorities should pursue Akhmetov for his crimes.

Gaming an Our Ukraine-Regions coalition  
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5. (C) Tymoshenko said that serious discussions between Our Ukraine and Regions continued. Ambassador observed that Regions' leader Yanukovych complained to him each time they met that Yanukovych had not been able to have a serious

conversation with Yushchenko, while acknowledging contact between the two parties. Tymoshenko claimed that, were Yushchenko to cut a post-election deal with Regions, Yanukovych would end up running the country. Such a coalition would be deeply unpopular with Yushchenko's Orange base, which would largely desert him. Without popular support, Yushchenko would then lack leverage in dealing with Yanukovych and Regions inside government. (Comment: This is an interesting argument, perhaps with some merit.)  
Rehashing old arguments on the gas deal  
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16. (C) Turning to the "terrible" gas deal with Russia, Tymoshenko rehashed arguments used with Ambassador the past several months (reftel). She continued to press a court case in Kiev-Pechersk commercial court seeking to overturn the January 4 contracts on the basis that NaftoHaz Chairman Ivchenko had exceeded his authority; the case still had gone nowhere, Tymoshenko alleged, because Yushchenko himself had called the judge and asked that action not be taken. Secondly, she wanted Ukraine to take Russia to the Stockholm Arbitration Court for overturning the terms of the August 2004 agreement to provide gas at a fixed price of \$50 per thousand cubic meters through 2009. Finally, Ukraine should negotiate supply deals with Turkmenistan, Uzbekistan, and Kazakhstan and needed international support.

17. (C) Ambassador gave Tymoshenko the same U.S. positions she had heard in previous conversations. The U.S. saw the gas deal as a problem primarily due to the role of RUE. Ambassador had told GOU leaders the previous week that if it sought to renegotiate the deal without RUE, the U.S. would support Ukraine. The USG would also help Ukraine as the GOU went to the Europeans seeking support. Were the Pechersk court to invalidate the January 4 deals, that would make it easier for the GOU to seek renegotiation of the deal; it currently appeared as if the GOU were vacillating, unsure of what to do next. Regarding a Stockholm appeal, Ambassador advised Ukraine to seek top-flight legal and technical evaluation of all relevant agreements. Sanctity of contracts notwithstanding, Ukraine would not get much political sympathy from Western countries for attempting to insist on paying \$50 for gas the next four years.

18. (C) Ambassador noted several windows of opportunity for Ukraine regarding gas supplies. Russia had made energy security the signature issue of its G8 chairmanship. Russia had also signed but not yet ratified the European Energy Charter, which would give Central Asian countries access to Russia's pipelines. France and others had spoken out on the need for Russia to ratify the charter. In the end, the key going forward was for the GOU to clarify its intent. Tymoshenko ended the conversation quipping: "Give me a month (the Rada elections are March 26), and everything will be very clear."

19. (U) Visit Embassy Kiev's classified website at:  
[www.state.gov/p/eur/kiev](http://www.state.gov/p/eur/kiev).  
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